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A quiz in honor of our 60th year — Page 6

Retailers choose '88s hot products — Page 9

NARD sues FTC over dispensing 'coverup' — Page 33

DRUG STORE NEWS®

Vol. 10/No. 1 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. January 4, 1988

Hook-SupeRx to hook Brooks for $81.5 million

Hook-SupeRx Inc. and Brooks Drug at a glance

Stores	Hook	SupeRx	Brooks
	341 drug stores 28 home health care centers	313 drug stores 12 Drug World deep discounters	361 drug stores 285 with pharmacies
Markets	Indiana, Ohio, Illinois	Ohio, Illinois, Kentucky, Tennessee, New York, New Jersey	Mainly New England, New York, New Jersey, Pennsylvania
Sales	**Hook SupeRx Inc.** More than $1 billion, with $831 million reported for 9 months ended Aug. 31		**Brooks** $390 million est. for year ended Dec. 31
Ownership	A private company created through 1986 $415 million leveraged buyout		Currently a division of Compact Video, of which 41% is held by MacAndrews & Forbes and Ronald O. Perelman

Source: Company reports

By Bruce Buckley

CINCINNATI — In a move that surprised the industry, Hook-SupeRx Inc. signed a preliminary agreement to acquire the 360-store Brooks drug store chain from Compact Video Inc. for $81.5 million.

The deal, which is subject to the negotiation of a definitive agreement as well as completion of financing arrangements, would create a company with close to $1.5 billion in sales and more than 1,050 stores in 24 states. The additional stores would make the drug chain's roster the fifth largest in the country.

The purchase would also extend Hook-SupeRx's reach into New England proper, where Walgreens and Osco, two other Midwest-based powerhouses, continue to make inroads. Among Hook-SupeRx's holdings are a number of stores in New York and New Jersey, where Brooks has a total of 82 locations.

A source close to the negotiations said Gayl Doster, Hook-SupeRx chief financial officer and a key organizer of HSI's December 1986 leveraged buyout from Kroger, would be named ceo of the Brooks division.

The source also said Theo

See **Hook-SupeRx,** *page 37*

Bellini takes Revco post as chain churns changes

TWINSBURG, Ohio — Revco's induction of former Gray Drug Fair president Carl Bellini as head of store and pharmacy operations marks another major installment in last year's sweeping realignment of the company's top management under new chairman Boake Sells.

[As *Drug Store News* went to press, Revco announced further top management shifts. See accompanying box for details.]

Bellini

Bellini, 54, has been named to the new post of executive vp of stores, a position that weaves together all aspects of store and pharmacy operations.

He succeeds A. Richard Butler, former senior vp-store operations, but the new post encompasses a larger sphere of duties, with pharmacy operations an additional responsibility.

Under the new, more streamlined management structure put in place by Sells, Bellini will report directly to the chairman. The arrangement supports Sells' desire to cut through layers of middle management for closer person-

See **Revco,** *page 37*

New assignments at Revco

- **Jim Adamson,** 39, most recently executive vp at Target, is named executive vp-marketing.
- **Sam Williams,** 46, also from Target, is named as director of imports.
- **Dwayne Hoven,** 46, former president and owner of Davis-Dyar Supply Co., a Dotham, Ala. wholesaler, is named to the newly-created post of senior vp-distribution.
- **Vito Cardace,** promoted to executive vp and cfo.
- **Jack Staph,** promoted to senior vp, secretary and general counsel.

Vons is known for its relative local strength in Rx and H&BA operations. Above is a cosmetics counter at the El Monte, Calif., Pavilions store.

Vons conquering So. Calif.

Safeway purchase puts chain at top of heap

By James Frederick

OAKLAND, Calif. — The planned sale of Safeway Stores' 172-unit Southern California division to Vons Grocery Co. will make Vons the undisputed leader in supermarket and combo store retailing in the nation's biggest food and drug store market.

Safeway and Vons jointly announced their plans to merge their Southern California operations in ear-

See **Vons,** *page 37*

LATE NEWS

- PONTIAC, Mich. — Perry Drug Stores omitted its common stock dividend for the first time in 47 consecutive quarters, and reported a $4.6 million loss for its fourth quarter ended Oct. 31. The loss included a $400,000 charge against operations, a one-time $3.5 million charge to cover uncollectible pharmacy goods bills, and $700,000 for construction planning costs. In the comparable 1986 quarter, the chain earned $315,000. Quarterly sales increased 9.2 percent, to $189 million, from $173 million last year.
- WEST SPRINGFIELD, Mass. — Arthur Villeneuve, former vp at Maxidrug, the Jean Coutu Group's deep discounter, has left the company, according to a chain source.
- PROVIDENCE, R.I. — George Neville, ex-Adams (Brooks Drug) executive and one of the initial team that launched Maxidrug, recently opened Beauty Works, a designer fragrance and cosmetics specialty store, in the downtown part of this city.

Rite Aid axes Va. 3rd-party group

Equicor/UMP in the cold after 40% reimbursement cut

By Barbara White

SHIREMANSTOWN, Pa. — Rite Aid has told Equicor/United Medical Plan of Virginia it will no longer fill prescriptions from its members, after the third party provider cut its reimbursement for filled prescriptions by 40 percent.

The chain advised Equicor/UMP that effective Dec. 29 it won't honor prescriptions for patients on the plan. The move affects 150 Rite Aid Virginia stores that had served Equicor/UMP patients.

Equicor/UMP changed its reimbursement percentage in September, based on a proposal United Medical Plan presented to Equicor. UMP is a health maintenance organization in the state. Equicor—a joint venture between a division of Equitable Group Insurance and a division of Hospital Corporation of America—is its third party administrator.

David Dalton, Rite Aid's vp-professional relations, said the chain can't afford to stay on the plan with the payment cut that sharply.

"People would be falling under the new plan at a proposed reimbursement rate below what it would cost to fill the prescription," said Dalton. "Under the new plan, it's economically unfeasible for Rite Aid to continue to fill UMP's prescriptions."

Grace Renshaw, an Equicor spokesman, said that two other Virginia chains, Peoples and the Farm Fresh supermarket chain, have accepted the new reimbursement terms. She said they expect those chains to pick up Rite Aid's

See **Rite Aid,** *page 37*

NEWS IN BRIEF

Bergen sells medical supply unit

ORANGE, Calif. — Bergen Brunswig Corp. announced it has signed a definitive agreement to sell Bergen Brunswig Medical Supply, a wholly-owned subsidiary, for approximately $40 million.

The board of directors fixed Nov. 20 as the record date for determining holders of its 7⅝ percent convertible subordinated debentures, due 2010. These holders will be requested to consent to the proposed sale of the subsidiary.

The corporation is one of the nation's largest distributors of products sold to pharmacies, a major distributor of medical and surgical supplies, and the largest national distributor of prerecorded videocassettes.

O&M picks up Stotter's assets

RICHMOND, Va. — Owens & Minor said it has signed a letter of intent to buy certain assets of Leon Stotter, Inc., a Bridgeton, N.J. medical surgical distributor servicing the New Jersey, Delaware, and Eastern Pennsylvania markets, including Philadelphia. Stotter sales were projected at $50 million for 1987.

The buy will move O&M—a wholesaler and packager of pharmaceuticals, as well as a medical and surgical supply distributor—into new markets, and furthers a recent company trend of growth through acquisitions of medical and surgical firms.

G. Gil Minor III, president and ceo, said the buy will naturally extend O&M's current trading area, since Stotter's markets abut O&M's northern most zones in Washington and Baltimore.

Amfac bidding aloha to mainland

FOLSOM, Calif. — Amfac Inc. announced it will sell Amfac Health Care and its other mainland businesses and concentrate on its core Hawaii operations as part of a comprehensive restructuring plan.

A company spokesman said no firm offers have been made yet for Amfac Health Care, the nation's sixth largest publicly held distributor of ethical pharmaceuticals. The restructuring process and sale of non-Hawaiian businesses "is expected to take some time," said Melburn G. Whitmire, president of Amfac Health Care. At present, "it will be business as usual."

Amfac's investment bankers estimated that the sale of Amfac's distribution, food and mainland resort operations together could bring approximately $600 million to $750 million. Amfac Health Care's 1986 revenues were $567 million. Sales in the first nine months of 1987 were $532 million, compared with $402 million in the 1986 period.

Nichols named Revco regional veep

TWINSBURG, Ohio — Revco has named Clarence D. Nichols as regional vp for its Carolina region based in Charlotte. Nichols will be responsible for all store operations in a 440-unit region that includes North and South Carolina and parts of Virginia. A 13-year Revco employee, Nichols was most recently a regional merchandise manager for stores in Texas, Oklahoma, New Mexico, and Arizona. He succeeds Darrell Patton, who resigned to pursue other interests.

Also, former district manager Robert Thompson was promoted as regional merchandise manager for the Carolina region reporting to Nichols. Thompson will be responsible for ordering and distribution of merchandise, and planning and implementing merchandise and promotional programs.

INDEX

Beauty Beat 32	Financial 38
Category in Motion . . 32	Pharmacy 33
Cohen's Capsule 33	Trends: Hot Product Categories . 9
Editorial 6	

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Vol. 10, No. 1 January 4, 1988

Fay's 1st med center unit unveiled in Syracuse, N. Y.

Convenience should capture Rx business

SYRACUSE, N.Y. — Fay's Drug has opened its first pharmacy in a medical center building as part of a plan to expand its pharmacy services.

The Liverpool, N. Y.-based chain opened a Fay's Pharmacy on Dec. 10 in the new Madison-Irving Medical center here, which includes doctors' offices, and an outpatient surgery center for a local hospital.

"We feel that we can capture that prescription business as a matter of convenience,-and. . . perhaps transfer it to another of our stores in the Syracuse area," said John Kogut, Fay's senior vp-operations.

"We are trying to take advantage of new opportunities within pharmacy," Kogut added. He said Fay's plans to open a second such unit in the first half of 1988 in Watertown, N. Y.

Fay's is also using the med center unit to launch it's first service offering prepared intravenous medication. Specially-trained pharmacists will use the Laminar Flow Hood in preparing IV medications used in chemotherapy. The device circulates and purifies air to create a sterilized environment for preparing the medications.

Kogut said the chain plans to roll out the device and medication program into three of Fay's conventionally-sized and sited stores that serve nursing homes in Albany, Rochester, and Buffalo.

The Syracuse unit, under 2,000 square feet, offers full pharmacy services, plus OTC items and small selections of drug categories such as greeting cards, candy, and "a very limited H&BA," Kogut said.

Hours will coincide with the hours of the doctors' offices. Offices include practices in ophthalmology, dermatology, plastic surgery, psychology, obstetrics, gynecology, family practice, optometry, psychiatry, and oral surgery.

As part of it's move into new pharmacy avenues, Fay's also has added a new dimention to its nursing home services by locating a pharmacy within a nursing home. The unit was recently installed in the St. Camillus Health Center, in Camillus, which is just west of Syracuse.

The 157-store chain services 8,000 nursing home beds from 30 Fay's Drug units, and plans to emphasize growth in this sector, Fay's chairman Henry Pansaci, Jr. told security analysts last month.

Medicaid plan under attack; NACDS predicts defections

Attorneys: payback scheme is unlawful

WASHINGTON — Lawyers for the chain drug industry intensified their attack on the government's new Medicaid drug reimbursement rules, predicting mass defections from the program by pharmacies unless the courts overturn the present system.

In a brief filed with the federal District Court here, attorneys for the National Association of Chain Drug Stores asked for a "summary judgment" ruling declaring the new Medicaid reimbursement scheme unlawful on grounds that it fails to ensure a reasonable profit for participating drug stores.

Those new Medicaid rules, which were issued by the Health Care Financing Administration late last year, abandoned the existing "MAC/EAC" system for reimbursing pharmacies in favor of a new approach under which state Medicaid administrators were granted broad authority to design their own systems to pay for Rx drugs. Under the new regulations, states may adopt any reimbursment approach they choose as long as their "aggregate" payments for Medicaid Rx drugs do not exceed a dollar ceiling set by the HCFA.

Raising the ante

NACDS filed suit late last fall challenging those rules, arguing that HCFA's new rules are invalid because the agency failed to require state Medicaid officials to ensure that participating drug stores have the opportunity to earn a reasonable profit on third-party Rxs.

In its latest court filing for summary judgment, the chain drug group raised the ante by suggesting that retail pharmacies may abandon Medicaid unless the new reimbursement rules are withdrawn.

The key to NACDS' case is the association's argument that, at least indirectly, the Medicaid law requires HCFA to ensure that Rx reimbursement levels are set high enough to enable drug stores to realize a reasonable profit.

But in order to achieve this objective, it is 'indispensable' that pharmacy 'reimbursement rates allow for the recovery of costs and a reasonable profit,' NACDS argued.

Although the Medicaid Act does not state that explicitly, it does require states to spend sufficient funds to avoid any "lowering [of] the amount, duration, scope, or quality of care" to Medicaid recipients.

"Consequently," NACDS told the court, "HCFA is obliged to ensure participation of a sufficient number of private providers so that Medicaid beneficiaries can receive medical services to the extent these services are available to the general population."

"Unless an adequate number of neighborhood pharmacies are willing to participate in the Medicaid program, the access of Medicaid patients to prescription drug services will be hindered," the association added.

But in order to achieve this objective it is "indispensible" that pharmacy "reimbursement rates allow for the recovery of costs and a reasonable profit," NACDS argued.

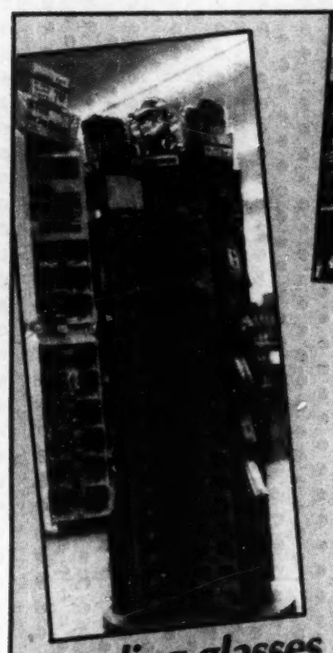
HCFA's new rule "provides no guarantee that states will adequately compensate private pharmacies," the association said. "Indeed, it does not even require states to consider whether reimbursement is adequate and poses no obstacle to setting reimbursement levels below costs."

As a result, "some drug stores will be forced to leave the program because of their inability to expend large amounts of time and resources on a venture which cannot generate enough income to make their business viable," NACDS warned the court.

This, in turn, renders HCFA's rule "defective" because the Medicaid law requires that pharmacists "earn a reasonable profit so as to encourage their continued participation" in the drug program, the chain group said.

The next move is up to HCFA, which has not yet answered the NACDS charges. Lawyers at the agency are preparing a response to the association's request for summary judgment, and that HCFA filing is expected to surface within the next few weeks.

TRENDS

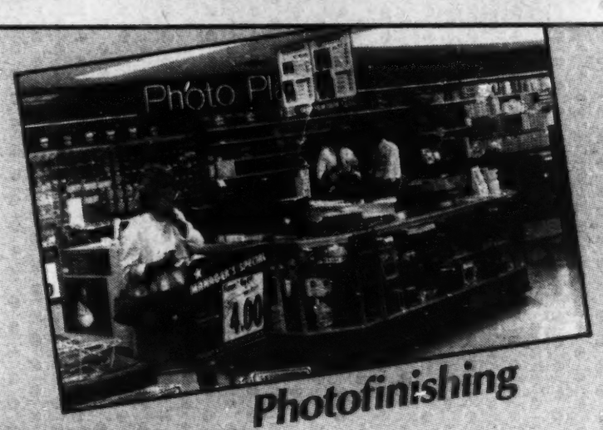


Reading glasses

Lens care

Condoms

Food



Photofinishing

At-home diagnostic test kits

What's hot? Core groups, select gen'l merchandise

By Al Heller

Hot categories spark the sales heat that fires up drug store performance. The best merchants fan the flames with timely aggressive merchandising, because they know what is hot today may be in ashes tomorrow.

Fads are okay, they say, but enduring businesses are better. They give retailers a warm feeling at night, because they build and shape customer loyalty and expectations.

More and more, retailers are merchandising core health care categories and selected general merchandise goods to make their stores distinctive and reinforce their appeal as one-stop shopping centers for everyday needs.

Enduring businesses give retailers a warm feeling at night, because they build and shape customer loyalty.

Results of the first *Drug Store News* hot merchandise categories forecast support these trends. Response to the survey was overwhelming and broad-based, and clearly represents the mood of merchants as we enter 1988.

Presidents and ceo's, vice presidents of marketing and merchandising, and general merchandise managers were surveyed over a three-month period in late 1987. They were asked to cite the product categories growing most strongly in 1987 and forecast to grow most strongly in 1988.

In all, 86 surveys from 66 chains came back to Lebhar-Friedman Research, a sister division of the parent company of *Drug Store News*. Forty-six chains of the top 100 fed back their predictions, as did 20 of the next 50 largest drug chains.

By far, condoms were cited most often. Three out of four high-level chain executives named the category and, not surprisingly, said AIDS was the driving force behind condom sales. They anticipate a whopping 36.1 percent dollar sales increase in 1988.

Lens care was named by six out of 10 retailers, who anticipate an 18.3 percent sales gain in the category next year.

At-home diagnostic test kits and video categories were named by about the half the retailers surveyed. Top merchants and execs forecast 31 percent sales growth for test kits this year, particularly for pregnancy and ovulation, diabetes, AIDS and venereal disease detection. They expect video to grow 27.7 percent, thanks mostly to the boom in home entertainment and tape rentals. They also anticipate gains in sales of blank and prerecorded tapes.

The surge in home offices will spawn a 23 percent sales growth in office supplies, predicted 28 percent of retailers surveyed.

Convenience goods will drive food growth in drug stores in 1988, as drug retailers posture more aggressively to snatch fill-in visits from supermarkets. In all, 28 percent of retailers surveyed said food sales would grow 22.4 percent in 1988.

About one in four retailers forecast that photofinishing dollar volume would grow 20.1 percent this year.

Nutritional supplements were also cited by about one-fourth of drug retailers surveyed. They anticipate a 14.9 percent sales gain in the category in 1988.

Cough/cold medications were named by 23 percent of top chain executives who responded. On average, they expect an 11.3 percent sales increase this year.

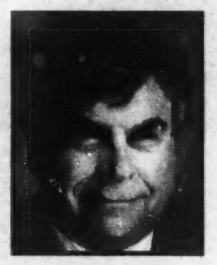
More than one retailer in five also named analgesics as a hot growth category, expected to expand 12.3 percent. Interestingly, a SAMI study on the contribution of new products to many health and beauty aids categories shows that new internal analgesics entries since 1980 currently account for 19.9 percent of internal analgesics sales.

And reading glasses were cited by 22 percent of top chain executives, who expect the category to grow 32.3 percent this year. That is the second-fastest anticipated growth rate, slightly behind condoms.

An independent view of The Top Ten

Alan Teitel has his finger on the pulse of American consumers. As Midwest regional vp for the National Association of General Merchandise Representatives, president of Grat Sales, and chairman of the board of Teitel Brokerage, he is currently servicing hundreds of department and drug store chains throughout the country. The following list of 10 items is his assessment, exclusively for Drug Store News, *of what's hot on the retail scene.*

1. Professional hair products: There's a trend towards professional products in all major mass markets and drug store chains. They're made specifically for the beauty industry for use in salons, but are now available in retail outlets. Although they aren't advertised on TV, conditioners outpace shampoo by about two to one, while conventional brands sell shampoo over conditioner by almost three to one. Because all things Australian look hot, look for Down Under products like Aussie Mega and Three Minute Miracle to be top sellers.



Teitel

2. Plaque fighting toothpastes: Thanks to all those convincing ads, everyone realizes the importance of having pearly white teeth and fresh breath. That's good news to the makers of these toothpastes, which contain a patented formula made with microscopic plants like Sanguinaria. This ingredient helps fight plaque buildup for up to four hours after brushing. Names like Viadent, among others, are on the leading edge in this category.

3. Tennis bracelet: First popularized by Chris Evert Lloyd, these trinkets are making quite a racket on or off the court, with sales reaching 2,000 dozen per week. Diamonds handset in 24 Karat gold and worn on the watch hand, they're an attractive compliment to any outfit. While the real thing may cost from $1,200 to $50,000, costume jewelers have made them so affordable so that it's "love" at first sight.

4. Tanning lotion jewelry: They're the perfect solution for people on the go. Worn around the wrist or ankle, you'll never have to worry about sunburn again, because protection is literally right at your fingertips. These gadgets sell particularly well among the 13-21 age group and are sure to be a hit for those who follow the sun.

5. Bathing caps: The newest item on the comeback trail. Sun and chlorinated water can play havoc with today's longer hairstyles. No one wants dry, lifeless hair that frizzes or splits. Those same people who laughed at grandma's bathing cap are now flocking to the stores for their own.

6. Vaporizers: No longer a luxury and not just for people with breathing problems. People have begun to realize what expensive spas have known for years; humid air is the key to better skin care. These items are a must in the winter months, when home heating systems can rob the air of its valuable moisture, leading to dry, flaky skin and even breathing problems. So don't get steamed, get vaporized!

7. Budget skin creams: You don't have to pay a million to look like it! Now value priced creams like Avanza are making a name for themselves on the mass market as an inexpensive alternative to the products sold at department stores.

8. Men's cosmetics and skin care products: Gentlemen, place your bets. Cologne is outselling aftershave three to one. The odds are excellent that Vitamin E and wrinkle creams, along with astringents for the face will race neck and neck in popularity. Speaking of necks, shaving brushes and soap continue to be hot sellers. New items include concealers for those dark circles under the eyes and skin bronzers. We'll never tell!

9. False eyelashes: Definitely out for at least 10 years and supposedly dealt a death blow by the teary excess of Tammy Faye Bakker, the eyelash is about to come fluttering back into favor. Long lashes can be long on eye appeal, as a whole new generation is about to discover. Look for a major manufacturer to start promoting them on a national basis.

10. Cranberry juice: Who says it can't taste good and be good for you? Cranberry juice is not only a delicious holiday refresher, but medical research has shown that it provides vitamins and minerals, not to overlook its benefits for the kidneys and bladder. Among liquid refreshments, it's the berries!

Booming market for condoms still gathers steam

Fueled by the AIDS epidemic and the collapse of alternate birth control methods, the booming market for condoms continues to gather steam. Sales for the first eight months of 1987 were up a robust 32 percent in dollars and 27 percent in units over previous-year levels, according to Pipeline Research, as a rapidly shifting social climate spurs a revolution in the acceptance and use of condoms.

The growth has been a boon to both small and large condom manufacturers. Some of the industry's newer suppliers have seen a doubling or tripling of sales in the past year as retailers expand their selection to include secondary brands. The major brands have also enjoyed double-digit gains, indicating an overall growth in demand.

Drug store retailers, who enjoy the lion's share of condom business through their health care franchise, agree with the growth figures. "Sales are absolutely higher now than they were even earlier this year, with terrific turns for the whole condom rack," said Ken Chocol, a buyer for Perry Drug Stores.

"We carry three basic lines from Carter, Schmid and Ansell, all of which are doing well," Chocol said. "We're also getting very good results from a secondary rack at the feminine hygiene area. We use it to promote new brands, which we rotate on a monthly basis."

"It's been a great year for condoms, with about 20 percent sales growth in our stores," added Bob Watson, prescription drug buyer for Canada's Big V Pharmacies Co. in London, Ontario. "I think the growth will continue, not only because of the AIDS scare, but for general disease prevention, as well. With the need for stronger and stronger antibiotics to treat diseases, I think more doctors are going to be urging their patients to use condoms."

Peg-racked condoms at a Newton, Mass., Walgreens.

Watson said the chain has tied its condom rack into the feminine hygiene section, and moved it away from the pharmacy area and out to the front of the store. Women, he said, now account for about one sale in every four.

Drug Emporium, historically one of the most committed condom retailers in the industry, also reports booming demand. "The unit and dollar growth are quite strong, even for us, and we've always maintained a big eight-foot section for condoms," noted Dale Rogers, Southeast merchandising manager for Drug Emporium. "We're way up in units."

The condom sales boom hasn't come without at least one major problem for many retailers, however. That problem: persistent out-of-stocks in 1987, particularly in products by the two major suppliers, Carter and Schmid. Lacking the buying clout of their larger counterparts, small chains encountered the worst supply problems. Problems arose when the booming demand outstripped manufacturing and distribution capacity. Product recalls by the Food and Drug Administration further crimped supplies.

The recalls were due to FDA concerns over product testing and failure rates in some products. The failure rates were never seriously out of line, and the problems have since been corrected, but suppliers still struggle to meet demand.

"It's been a tough year for condoms because we've had no merchandise," said Ralph Kinder, buyer of proprietary drugs and health aids for Begley. "I have no idea what kind of year we could have had if we'd had enough product."

"There have been so many out-of-stocks this past year," agreed Big V's Watson. "Schmid had the biggest problems because of the recalls, and they're our biggest supplier."

Perry's Chocol also noted supply problems last year. "We're upping our inventory schedule from a four-week order delivery to six or seven weeks to get a better handle on out-of-stocks," he said. "We've had some delays in shipping time from the manufacturers because of the increased demand."

It wasn't always so, of course. In the years before AIDS, birth control side effects and other issues began grabbing headlines, condoms were considered a distant runnerup among birth control choices for many Americans. Even their open sale was restricted until a Supreme Court ruling in 1977 allowing sale to minors without parental notification.

That picture has been rendered obsolete by a decade of unnerving sexual complications, beginning with the rapid spread of incurable genital herpes, penicillin-resistant gonorrhea, chlamydia and other sexually transmitted diseases (STDs), and culminating with the chilling spread of AIDS. Faced with the potential for a major breakout of AIDS into the heterosexual population, U.S. Surgeon General C. Everett Koop and other prominent health care authorities have called for the widespread distribution of condoms.

73% of retail drug merchants surveyed said condoms would be one of the hottest merchandising categories in 1988.

These merchants also predicted that condom sales would increase 36.1% in 1988.

Source: Lebhar-Friedman research

"The best protection against infection, barring abstinence, is the use of a condom," Koop noted last year in a widely publicized remark.

Barriers to the advertising and display of condoms have crumbled under the pressure. Most major consumer magazines and dozens of local television stations have begun accepting condom ads.

Keying on the increasing social acceptance and demand for condoms, many drug chains are considering featuring condoms in print ads for the first time. "We haven't really put ads together yet for our circulars, but it's coming, probably in early '88," noted Perry's Chocol.

"We recently added product from VLI, Ansell and National Sanitary Labs to our basic mix, and we're considering some advertising with Ansell," said Rogers of Drug Emporium.

Some chains, including Revco D.S., have already begun featuring condoms in circulars. Reaction from the public has been mostly positive, a Revco spokesman reported.

Profitable lens care one tough category to manage

New consumer awareness on compliance and price cuts will continue building sales in lens care, which was among the hottest of the hot drug store categories this year.

But while drug chain buyers expect strong growth into the next decade, a seeming unending stream of new lens care regimens has made category management a major task. Buyers have to reset shelves on a regular basis to pick up the latest lens care products prescribed by doctors, closely watch movement, and try to keep inventory investment at a reasonable level.

"Everytime we do a planogram, it's outdated six weeks later. It's very hard to manage," said Mike Weiner, vp at Rix Dunnington of Massachuesetts.

Jim Kyle, a buyer at Tom Thumb/Page in Texas, says the product proliferation is confusing consumers and curbing profitability.

"[The industry] is projecting an 8-percent increase in sales [for 1988]. But they've increased the number of new items by 30 percent to 40 percent. You've got more money invested in inventory, and less return on your dollar," Kyle said.

Despite these concerns, which are generally held among chain buyers, lens care has been a major profit center in drug stores, where 70 percent of lens solutions are sold.

"My sales are still very, very steady, and seemingly growing. It's definitely a hot category in the drug store today," said Tom Thannon, pharmaceutical buyer with Austin Drugs, of Long Island.

58% of retailers surveyed by Drug Store News ranked lens care products as among the hottest of merchandise categories.

Retailers predicted lens care sales will increase by 18.3% in 1988.

Source: Lebhar-Friedman research

Two trends fueled sales in 1987.

Some vendors followed Bausch & Lomb's lead in mid-year by slashing prices as much as 50 percent on saline solutions, stores' largest segment in unit and dollars sales. Ross Lab's Abbott division's rock bottom pricing on its new Murine lens care regimen furthered the price leveling trend. Buyers felt the cuts were overdue since consumers have become less willing to pay high price points for "salt tablets and water," in one buyer's words.

"The customer is never going back to $3 to $4 for a 12-ounce saline solution," said Austin's Thannon.

The second sales-boosting trend was better compliance by users in reaction to recent publicity about corneal ulcers and corneal infections stemming from improper lens use.

"There's a recognition that these are medical devices that have to be cared for," said Dr. Vincent Zuccaro, vp-professional services at Barnes-Hind.

A lens care endcap display at the No. Bruswick, N.J., Rx Place.

Dr. Zuccaro said users are removing and cleaning their lenses more frequently, every three or four days, rather than every 30 or 40 days. The compliance has resulted in more lens care solution sales.

Barnes-Hind estimates that lens care solution retail sales in drug, grocery, and mass merchandise outlets were $642 million in 1987, with projected growth to $1.2 billion in 1992.

Vendors hope sales will also arise from new options in lens care that will convince the 14 million lens owners who have stopped wearing their lenses to use them again, and capture first-time users as well.

Buyers said doctors are recommending regimens that combine and simplify or speed up the steps required of a lens care system. These systems include Allergan's Ultrazyme enzymatic tablet, B&L's new ReNu system, and Alcon's Optizyme.

Meanwhile, buyers said the systems that employ hydrogen peroxide such as Ciba Vision's AOSept and LenSept, Allergan's OxySept, and Coopervision's Mirasept, are gaining market share.

"There's been a surge in hydrogen peroxide sales," said Joe Graddy, a buyer with SuperD.

A Barnes-Hind study of doctors' recommendations supports that perception. The recent 12-month study showed that doctors' recommendations of hydrogen peroxide systems to patients had increased by 70 percent. In comparison, prescriptions for heat disinfection systems were down 10 percent, and those for chemcial disinfections regimens were down 9 percent, Zuccaro said.

"Hydrogen peroxide is growing extremely rapidly at the doctor level," he said, adding that Barnes-Hind is introducing its first such system this year, called ConSept.